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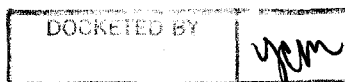
August 5, 1999

Arizona Corporation Commission

DOCKETED

AUG 17 1999

Mr. Alan Propper, Director
Pricing and Regulation
Arizona Public Services Company
Mail Station 9909
P.O. Box 53999
Phoenix, Arizona 85072-3999



Re: Docket Nos. E-01345A-98-0473, E-01345A-97-0773 and RE-00000C-94-0165

Dear Mr. Propper:

This letter is in response to your August 3, 1999 letter and draft exhibit enclosure.

Given the Chief Hearing Officer's directive (which you therein reference)

"that, for purposes of commenting on the Exhibit, the parties should assume that the
allocation methods proposed by APS are correct,"

PG&E Energy Corporation ("PG&E ES") has no changes to suggest with respect to the formatting
of the draft exhibit you proposed.

As discussed at length in the Post-Hearing Brief it is filing today, PG&E ES is in substantial
disagreement with APS as to various assumptions APS has made, and cost allocation methodologies
it has utilized, in connection with the Standard Offer and unbundled rates (including energy and
billing credits) which are a subject of the above-referenced proceedings.

Very truly yours,

Lawrence V. Robertson, Jr.

cc: Jerry Rudibaugh
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Parties of record

LVR/pd